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Mexico

Wine

Marketing Annual

2003

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Report Highlights:
Mexico's imports of US wine rose slightly in 2001 over 2000, and sales should increase about 9 percent for 2002. In addition, US market share edged up to 9 percent in 2002, from 7-8 percent in previous years. Wine production overall and quality of production is on the rise in Mexico due to new investments in the largest wine-producing region in Mexico, Baja California.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico ATO [MX2], [MX]

Section I: Overview of Situation and Outlook

Mexico's imports of US wine rose slightly in 2001 over 2000, due to strong sales during the last three months of 2001 which helped US exports rebound from slow sales earlier in the year. Sales should increase about 9 percent in 2002. Additionally, the US market share edged up to 9 percent of Mexican wine imports from shares of 7-8 percent in previous years. As compared to other importers of US wines, Mexico ranks (depending on the statistical source) between 20th to 26th in importance for US wine exports by value. It is preceded by many European Countries, developed countries in Asia, and by Chile and Argentina in Latin America. Overall wine imports to Mexico are expected to fall slightly in 2002, to approximately $55 million in part due to stocks that built up in the last quarter of 2001.

Mexico's economic growth rate was 2.5 percent in 2002, after growth of less than 1 percent in 2001. Wine is a luxury product and therefore sensitive to changes in the economy and consumer spending, particularly in Mexico, a country that does not have a tradition of wine consumption. Mexico's economy is projected to recover further 2003 depending on the health of the US economy; the projected growth rate for Mexico for 2003 is 3-3.5 percent.

Based on the NAFTA tariff rate schedule for wines, the ad valorem duty on wines was two percent in 2002 and is zero for 2003, providing the United States a level playing field in the Mexican market. Trade agreements with Chile and the EU have lowered import tariffs on wine for these countries as well. Since 1996 Chile's tariff rate on imported wines to Mexico has been zero. Since then, based partly on their zero duty, Chile's market share grew from 15 percent to 22 percent in 2002, with sales increasing by 50 percent in that time. The 2000 Mexico/EU trade agreement lowered the EU's import tariffs on wine from 30 to 20 percent, with a gradual reduction to zero by 2008.

Price, quality, availability, and brand name familiarity are important factors considered by Mexican consumers when buying imported wines. Spain, Chile, and France have a considerable share of Mexico's wine market, as compared to the United States. Since 1998, Spain has overtaken France and enjoys the largest share of the Mexican import market, with Chile remaining an almost even competitor with France since 2000. The increase in wine sales from Chile is due to the zero import tariff, a greater recognition of Chilean wines due to aggressive marketing campaigns, and relatively less expensive Chilean wines.

Based on official economic data from Mexico, US wines have 8-9 percent share of the Mexican import market. White wines from California enjoy the greatest recognition in Mexico, but all US wines appear to be gaining in popularity with Mexican importers and distributors. Consumers are still hesitant to buy a medium priced US wine over a similarly priced European wine due to years of lower quality wine exports from the US to Mexico. Chile has enjoyed success breaking into the market because of a relatively less expensive mid-range product. Sales of mid-range Chilean quality and price average about 50-60 pesos a bottle, while US wines of mid-range price average about 100-150 pesos a bottle.

Imports of Wine by Mexico

	1999		2000		2001		2002 (est.)**	
Country*	Import Value (1000 USD)	*Market Share* (%)	Import Value (1000 USD)	*Market Share* (%)	Import Value (1000 USD)	*Market Share* (%)	Import Value (1000 USD)	*Market Share* (%)
Spain	11,084.0	24	13,237.5	28	19,574.0	31	16,341.5	30
France	16,042.0	34	11,914.9	25	12,334.3	20	12,291.6	22
Chile	9,146.8	20	11,392.2	24	13,922.0	22	12,184.0	22
United States	*3,674.9*	*8*	*3,978.0*	*8*	*4,792.4*	*8*	*5,216.2*	*9*
Italy	2,164.4	5	2,362.2	5	3,773.8	6	3,433.1	6
Germany	2,323.7	5	2,755.0	6	5,418.3	9	3,009.9	5
Argentina	1,162.9	2	818.5	2	1,151.9	2	1,210.9	2
Portugal	455.8	1	529.7	1	784.3	1	882.2	2
Others	539.5	1	464.8	1	1220.7	2	505.5	1
Total	46,594	100	47,453	100	62,971.7	100	55,071.9	100

Source: Secrataría de Economía, Subsecretaría de Negociaciones Comerciales Internacionales and Banxico; includes imports of wine and sparkling wine

***Ranked based on size of import market share for the estimated 2002 figures; some totals/figures may not sum precisely due to rounding**

****Estimated based on figures for Jan-Sept 2002 and the increase in the nine month versus twelve-month figures for 2001.**

Section II: Narrative on Production and Consumption, Regulations and Marketing

Production

Though Mexico has the oldest history of wine making in the Western Hemisphere, thanks to Spanish missionaries who used wine during mass and brought with them Spanish varietals, the industry produces only about 40 percent of the wine consumed domestically. In recent years, investments in viticulture, including land use, capital, and technical investments have increased the production of Mexican wine. Much of the investment has been in the state of Baja California Norte (henceforth referred to as Baja) which produces 90-95 percent of all wine in Mexico.

In addition to the Mexico's primary wine production region in Baja, the states of Coahuila and Querétaro also produce wine, and, on a very small scale, Zacatecas and Aguascalientes. Within the three states with significant production the producing areas are:

<u>Baja California</u>	**<u>Coahuila</u>**
Valle de Calafia	**Parras**
Valle de Guadalupe	**<u>Querétaro</u>**
Santó Tomás	**San Juan del Río**
Tecate	**Tequisquiapan**
Ensenada	**Ezequiel Montes**
San Vincente	
San Antonio de las Minas	

The principle wine varieties produced in Mexico are:

<u>Reds</u>	**Ruby Red, Ruby Cabernet**
Barbera	**Shiraz**
Bourdeaux	**Tempranillo**
Cabernet Sauvignon, Cabernet Franc	**Viogner**
Cariñena	**Zinfandel**
Claret	**<u>Whites</u>**
Grenache	**Chardonnay**
Malvec	**Chenin Blanc**
Merlot	**Fume Blanc**
Mission	**French Colombard**
Nebbiolo	**Riesling**
Palomino	**Sauvignon Blanc**
Petit Sirah	**Semillion**

Land cultivated by wine growers declined from 1984 until 1999, however since 1999 the acreage has stabilized. In 1984, 70,250 hectares were dedicated to wine production, as compared to about 50,000 hectares cultivated in 1999 (based on Mexican National Statistics). Though national statistics are not available from 2000 on, according to statistics from the Baja California region, the acreage dedicated to wine production is growing. Mexico was ranked 35th in the world based on vineyard acreage (includes vines for fresh grapes) and 22nd in the world in wine production in 1999. Though the quantity of production declined through the late 1980s and early 1990s, production has been increasing since 1998 and with it, much more emphasis on the quality of production. There are many small local wineries, but the producers who currently dominate the table wine market are Casa Madero, Domecq, LA Cetto, Santo Tomas, and Monte Xanic.

Changes in Mexican Wine Production[1]

Beginning in the mid-1990s a renaissance emerged in the most important wine-producing region in Mexico, Baja California. In response to the increased focus on the global market that has increased the importance of particular varietals, overall quality, and the importance of achieving ranking in international competitions, the traditional vineyards in Baja have been making changes in production and marketing and new wineries have emerged. This renaissance has involved an increase in acreage dedicated to production, an emphasis on replacing traditional grape varietals such as the Mission grape with internationally accepted new varietals such as Cabernet Sauvignon, and a focus on quality over quantity.

Currently there are 12 vineyards operating in Baja. The four largest vineyards listed by largest to smallest are Domecq, LA Cetto, Santo Tomas and Monte Xanic. Eight other boutique wineries are currently producing small-quantity, high-value wines, some with excellent success in international wine competitions. These vineyards look to Europe's winemaking tradition as their guide. Several of the important winemakers of the region were trained in France and the majority of the new vines have come from Europe, despite the region's similar climate and proximity to winemaking areas in California.

Pedro Domecq is the largest producer of wines in Mexico and began producing brandy in 1956 and table wines in 1972. It is owned by the Allied Corporation of the United Kingdom. Domecq currently cultivates 1400 hectares of wine and produces about 124,000 cases of wine a year. Domecq produces its own grapes and also purchases grapes from independent grape growers. Grape growers selling to the larger wineries has been a long tradition in Baja, but with the trend for increased quality has come a decrease in the purchases of grapes for wine production from independent growers. Domecq relies on exports for just under half of its sales, with 40 percent of its wine going to Europe. Domecq also exports to the United States with 70 percent of those exports being premium wines and 30 percent table wines.

The next three largest wineries:
-LA Cetto, founded in the 1960's;
-Santo Tomas, founded originally with the mission grape in the 19th century; and
-Monte Xanic founded in 1988;
all have internationally recognized blends and rely on a variety of marketing outlets. LA Cetto is the largest of the three (though acreage/production figures are not available) and has the most traditional distribution system. The winery focuses on domestic marketing and sales, particularly in Mexico City and other major metropolitan areas. Monte Xanic, producing 50,000 cases of wine annually on 70-100 hectares with hopes to grow to 90,000 cases a year, has recently entered into a partnership with the Chalon group, an association of wine producers that rely on the distribution system of others in their group; US wineries such as Edna Valley and Canon Ridge are members of this marketing consortium. Through this association, Monte Xanic hopes to sell more products to the United States, which currently purchases about 10 percent of its production. Santo Tomas, producing about 80,000 cases a year on 300 hectares, has arrangements with wineries in the United States and Switzerland to produce wines. Duetto, produced by shipping US wine (produced by Wente Vineyards) across the border for blending and aging at Santo Tomas, is one of their joint ventures. The winery also sells bulk wine in tankers to Switzerland to be further processed and bottled.

[1] Many thanks to Jorge Barrios of Wine and Nouvelle Cuisine Mexico and the many enologists and vineyard and winery owners who openly discussed changes in the Baja wine industry, including trends and marketing strategies. These include Case de Piedra, Chateau Camou, Vinas Valmar, Pedro Domecq, Adobe Guadalupe, Monte Xanic, LA Cetto, Santo Tomas and Vinas Liceaga.

Creative marketing systems and partnerships such as these are also important for the smaller, newer boutique wineries found in Baja.

Casa de Piedra, founded in 1997, is one of the smaller wineries in Baja. It produces high quality wines and focuses on a few varietals (Chardonnay, Tempranillo and Cabernet) rather than on quantity or growth. The vineyard is able to operate successfully in part because of the quality of its wines and its unique marketing system. Over 70 percent of its production is bought on shares through futures prior to the grape harvest for the year the shares were bought. It is an investment for those purchasing shares and provides operating expenses for the vineyard. Another vineyard, producing a larger quantity of wines, but still focused on quality is the Chateau Camou. The vineyard produces many varietals and has placed in international competitions with several of them (Chardonnay, Fume/Sauvignon Blanc, Clarete, and red blends such as Cabernet Zinfandel, and Cabernet Franc/Sauvignon, and Merlot). The sole American-owned vineyard in the region is Adobe Guadalupe, which also runs an inn on the site of the vineyard. Well-known Mexican enologist Hugo d'Acosta, also the owner of Casa de Piedra, is the technical advisor for this vineyard.

Though the vineyards in Baja Norte vary dramatically in size and type of production, certain trends in the region's vineyards affect all of its production:

- Focus on quality wines over quantity of production, true for all of the production in the boutique vineyards, and now true for a portion of the production in the larger vineyards which are all producing at least one line of high quality wines;

- Movement to internationally popular grape varietals such as Chardonnay, Merlot and Cabernet Sauvignon, from the traditional grapes of the region;

- Increase in recognition and investment in the tourist, grape culture side of the wine trade reflected in wine bars opening such as Sede Vino[2], and a proliferation of events attracting both tourists and wine connoisseurs to the region;

- Vineyards focusing on grape quality throughout the entire planting, growing and harvest process, decreasing the number of grapes purchased from independent grape growers; and

- Increased concern about pressure on the water resources available. With the proliferation of smaller vineries and an increased recognition that the area can produce high quality wines, the limiting factor on production is the acute lack of water available for irrigation and the yearly threat of drought (see below). Growth in the region's production will be limited by water availability unless an alternate source or a redistribution of water allocation is undertaken in the region.

The 2002 crop in Baja is estimated to be down almost 40 percent from 2001 because of a severe drought that affected the area. While normal production in the area ranges from 4 tons per hectare of grapes in the boutique vineyards to 10 tons per hectare in the larger vineyards, production this season ranged from 2 to 7 tons per hectare. In contrast 12 to 15 tons per hectare is typical in vineyards in Europe and the United States, and Chile averages about 20 tons per hectare. However, the drought and lower level of production is not all bad news for producers and consumers. More stress on the grapes leads to much more concentrated flavors in the grapes and almost certainly a better quality, higher value wine.

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[2] **SeDe Vino** is a wine bar and restaurant chain, two are located in Mexico City and one in Ensenada, Baja California Norte. It features over 300 domestic and international wines and hosts tastings and other events designed to promote the culture and consumption of wine in Mexico.

Some of what producers lost in quantity they may gain in higher prices. Many producers in the region predict that the 2002 will be a banner year for Mexican wines.

Exports

Mexico's exports of wine rose over 26 percent from 1998-2001. Based on FAO statistics, in 2001 Mexico exported about $4.5 million of wine, though the Mexican Ministry of Economy estimates closer to $3 million in exports that same year. Mexico exports its wine to 20 countries and its wines have won over 100 international awards since 1990. Based on Mexico's Ministry of Economy statistics, the United States purchases the majority of Mexico's wine exports, 47 percent of the total for the first 9 months of 2002. The next major importer is France, 13 percent; followed by Denmark, 6.5 percent; Slovenia, and Great Britain each purchasing about 4 percent; followed by Switzerland, Germany, Canada, Belgium and Japan, each purchasing between 3 to 1.5 percent of Mexico's wine exports.

Consumption

Per capita wine consumption in Mexico is estimated to be .16 liters or about .04 gallons, per year, ranking 57th in the world for per capita wine consumption in 1999, the latest available figures. In comparison, France's per capita consumption of wine is over 60 liters a year, or 15 gallons and the US consumption is about 8 liters, or over 2 gallons a year. Throughout the 1990s Mexico consumed approximately 3.9 million gallons of wine per year. Preference for other alcoholic beverages and soda and an underdeveloped consumer awareness of wine partially reflects this very low per capita consumption. The main consumers of wine in Mexico are in their mid-thirties and above, tend to be well educated, and represent the middle to high-income segment of the population. Based on discussions with individuals working in the industry in Mexico, there is an increased awareness and consumption among educated Mexicans in metropolitan areas in their mid to late twenties. The growth of a business dedicated to promoting wine consumption and awareness, Sede Vino, both reflects and serves to help this change. Per capita wine consumption should increase over the next five years if the Mexican economy continues to grow at modest to strong levels. The expanding restaurant, hotel and tourism industry in Mexico also bodes well for increased consumer awareness of and demand for imported wine.

Price is still the leading influence for most food purchasing decisions, particularly when the item is considered a luxury item, which is the case with wine. In addition to facing stiff price competition from European and Chilean wines, US wines are competing against the quality image and long standing tradition of European wines in Mexico. Those consumers that are widely traveled, or tourists from the United States, are more willing to pay the comparatively higher prices for US wines. On the other hand, those consumers who are not familiar with the high quality of US wines will choose a national brand, or a French or Chilean wine, due to the perceived quality and the usually more attractive price.

Sample white wine prices (in pesos) in a mid-size/large Mexican supermarket range from:

German wines: $30.00 - $300.00
French wines: $40.00-$350.00
Spanish wines: $50.00-$ 350.00
Chilean wines: $ 28.00-$100.00
US wines: $40.00-$400.00
National brands: $40.00-$200.00

Sample red wine prices (in pesos) in a mid-size/large Mexican supermarket range from:

French wines: $75.00 - $500.00
Spanish wines: $80.00 - $400.00
Chilean wines: $ 50.00 - $200.00
US wines: $40.00 - $450.00
National brands: $100.00-$230.00

Taxes and Regulations

The reasons US producers have not been able to access this market more successfully are the fierce competition from European and Chilean suppliers, increasing competition from Mexican producers, comparatively more expensive US products, a preference for reputable European brands, a relatively unseasoned consumer base particularly when it comes to US wines, and, at least until now, import tariffs on US wines. The trade agreement with Chile had given Chilean wines an import duty advantage until 2003, but as of January 1, 2003, the US does not face any import duties on wines. This change has leveled the playing field for the US wine producer exporting to Mexico.

The North America Free Trade Agreement (NAFTA) has significantly reduced barriers to importing US wines into the Mexican market. Under NAFTA, wines qualifying, as "North American" must use a certificate of origin in order to ensure that NAFTA tariff benefits accrue only to US, Canadian and Mexican goods. Such certificates are usually obtained through a semi-official organization such as a local chamber of commerce, and do not have to be validated or formalized. Despite changes for the better due to NAFTA, FAS Mexico continues to receive complaints from US exporters about bottles being taken from shipments at the border, cases being held without cause and a long delay for clearance of US wines. We work on these issues on a case-by-case basis, and also express our overall displeasure for unnecessary disruptions. That being said, FAS Mexico does find in many cases that the reason for a delay is grounded in the lack of proper documentation that may be the fault of the importer of the product. The quality of the importer/distributor and the exporter's cooperation with them is an essential component to an exporter's success in the Mexican market.

Taxes

All alcoholic beverages sold in Mexico are subject to a 15 percent value added tax, as with many products in Mexico. In addition, a 5 percent luxury tax was imposed in January 2002 for alcohol served in restaurants. Technically this luxury tax was supposed to be rescinded based on a court decision in November 2002, but the majority of establishments are still charging the luxury tax. The government is still sorting out the results of the court ruling to determine if the additional tax must be officially repealed.

Alcoholic beverages, whether produced locally or imported, are also subject to the Impuesto Especial de Productos y Servicios-IEPS (Special Tax on Products and Services). This tax, which went into effect on April 1, 1997, and was later modified on December 31, 1998, affects many products including alcoholic beverages, tobacco and gasoline, among other products and services. In the case of alcoholic beverages, the tax is levied according to the alcohol content of the product.

IEPS TAX LEVELS ON ALCOHOLIC BEVERAGES
(Alcoholic Beverage and Percentage of Tax Level)

ALCOHOLIC BEVERAGES	IEPS TAX PERCENT
With alcohol content of up to 13.5 percent	25
With alcohol content from 13.5-20 percent	30
With alcohol content above 20 percent	60

Source: Secretaria de Hacienda y Credito Publico (Ministry of the Treasury)

A March 2001 change in the Mexican tax law has modified the way in which the IEPS tax is calculated, which leads to a slightly higher consumer price. Below is a table that shows the IEPS tax calculation applied to wine imports in 2003.

Application of IEPS Tax for Wines

	Before Law	After Law
Value (FOB)	**$100.00**	**$100.00**
IEPS tax is applied to:	**$100.00**	**$125*** **Found in left column**
IEPS (25%)	**x .25**	**x .25**
Equals total IEPS	**$25.00**	**$31.25**
Price	**$100.00**	**$100.00**
Plus total IEPS	**$25.00**	**$31.25**
Price, pre IVA	**$125.00***	**$131.25**
IVA (15%)	**x 1.15**	**x 1.15**
TOTAL	**$143.75**	**$150.94**

Note: In a sense the IEPS tax is now levied on a wine product twice. For this example, the increase is 5 percent of the final price.

After paying the IEPS tax, importers receive a marbete, or fiscal label, as proof of this payment. These marbetes are affixed individually on the bottles and only after this process can they be sold in the market. The bottles remain in a fiscal warehouse until the labels have been affixed.

Regulatory Requirements

The paperwork required for importing wine is normally completed and filed by a customs house broker. The basic Mexican import document is the Pedimento de Importacion (customs entry document), which should be presented to Mexican Customs, along with the commercial invoice in Spanish, a bill of lading and the Sanitary Import Notice. Products qualifying as "North American" must use the NAFTA certificate of origin to receive preferential treatment. As in the case with US Customs laws, Mexican customs law is also very strict regarding proper submission and preparation of customs documentation. Errors in paperwork can result in fines and even confiscation of merchandise as contraband. As mentioned above, exporters are advised to employ competent, reputable Mexican importers or custom brokers.

Sanitary Requirements: There are no special requirements from the Mexican health authorities for importing wine into Mexico. However, wine imports do require a written sanitary import notice (Aviso Sanitario de Importacion). This is a free-style letter, written in Spanish that must contain the following information: name of product; trade brand; specific quantity; name and address of producer; name and address of importer; port of entry and import tariffs numbers. This document, written on the company's letterhead, should be addressed to the Secretaria de Salud; Direccion General de Calidad Sanitaria de Bienes y Servicios, and presented at the port of entry. In addition, the invoice, airway bill and a Sanitary Statement (Constancia Sanitaria) are required. The sanitary statement must come from an FDA-certified laboratory declaring that the products, identified by production lot, are safe and fit for human consumption; indicating their physical-chemical analysis; microbiological analysis; and, if applicable, specific analysis; country of origin and expiration date.

Labeling: All imported products destined for retail sale in Mexico must be labeled according to Mexican government specifications as outlined in NOM-142-SSA1-1995, of July 9, 1997, later modified on July 22, 1998. This Mexican norm on labeling states that alcoholic beverages should adhere to the following commercial and sanitary information. A sticker can be affixed in the country prior to retail.

1) Commercial information:
-Brand or commercial name
-Name or generic name of product
-In the case of Brandy, the word "Brandy" and the legend "100% de uva" (100% from grape) should stand out clearly, and must be provable.
-Exporter's name and address
-Indication of the quantity in accordance to NOM-030-SCFI (use metric units)
-Producer's name and address, which, in the case of imported products, will be provided to SECOFI by the importer
-Country of origin (i.e., Producto de EE.UU.)
-Importer's name, company name and address
-In the case of beer and wine coolers, the labels should contain: name, address and taxation code of the importer

2) Sanitary information:
-All alcoholic beverages should read "EL ABUSO EN EL CONSUMO DE ESTE PRODUCTO, ES NOCIVO PARA LA SALUD" (The abuse in the consumption of this product is hazardous to your health)
-Alcohol content
- Indicate the percent of alcohol in volume at 20 degrees centigrade displayed as follows: (Number) % Alc. Vol.
- Lot number
-Only prepared drinks and cocktails should include a list of ingredients, which should be listed under the heading "Ingredientes," and they should be listed in the decreasing order of their percentage of the product's total composition.

This information must be in Spanish and may also appear in the original language. The information referring to the brand, type of beverage and quantity should appear on the main label. The other information can be included on any other part of the label or product container. The Mexican Health Ministry has an address on the Internet http://www.ssa.gob.mx where more information on these NOMS can be obtained. It is currently undergoing construction to improve the accessibility for users, so may be unavailable until February 2003.

Temporary Imports: Mexican import legislation does not recognize temporary imports, which are meant for sampling or for "give aways" during trade shows or other promotional events. Therefore, this ruling does not allow temporary imports of wines or similar products that will be consumed or used as samples in Mexico. Imported wines that are to be promoted during an event in Mexico are subject to import duties. Imported products must obtain a marbete, a fiscal label which ensures that the import duties and IEPS tax have been covered, before the products are imported and consumed in the country, just as is required for commercial imports of wine.

Exporters should also be aware that Mexican companies importing alcoholic beverages into Mexico must be inscribed in the Mexican Registry of Importers-MRI. Foreign suppliers of alcoholic beverages must have a Mexican importer or a representative registered in the MRI of the Secretary of Finance and Public Credit (SHCP) in order to export to Mexico.

Marketing

Marketing Infrastructure/Channels: Importers/distributors are vital to the success of any imported product, including wine, since only some of the major retail and few of the major food service chains import directly. National distribution is the easiest method for supplying the Mexican market, however many distributors only represent regions or select metropolitan areas in Mexico. Many foreign companies have opted to form alliances or joint ventures with established Mexican liquor companies to distribute and/or represent their product lines. Other companies have established representational offices and sell through distributors. Another creative strategy can be to form an alliance with one of the wine makers in Mexico to mutually benefit from each other's distribution channels. See the section on Mexican production for information on creative marketing systems explored by some vineyards.

In Mexico, specialty stores, supermarket chains, department stores and hotels/restaurants are the most important retail distribution points for imported wine. However, only some of the retail chains are set up to import directly. Most alcoholic beverage products are purchased through Mexican-based distributors enabling retail chains to keep inventories at a minimum, thereby avoiding investments in large centralized storage and bypassing the hassles of importing. This system of indirect purchasing is expected to change over the next few years but currently it is the dominant business practice. Some chain stores, such as Wal-Mart, have centralized purchasing. Most larger retailers are very hesitant to take on new wine labels, particularly from the United States, and agree to promotions only when the entire risk is borne by the exporter. Though increasingly importers and distributors acknowledge the high quality of US wines, they still find consumers are more inclined to purchase a European wine for a mid and higher priced wine, and Chilean wines for the lower priced bottles.

US firms wishing to penetrate the Mexican market must have a locally based distributor/ representative in order to operate and to establish a successful business relationship with domestic buyers. Usually this has to involve a relationship developed over time and in person with the importer and distributor, requiring at least one, but in many cases multiple trips to Mexico to make the contacts and arrangements. Contact information for associations involved in the importation and distribution of wine in Mexico, as well as a partial list of Mexican distributors and importers of wine can be found at the end of this report.

Market Development Opportunities: There are growing market opportunities in Mexico for US wine exporters, particularly in the restaurant, hotel, and tourism industry. In the retail industry exporters can consider conducting in-store/on-site tastings as a means of introducing or increasing the awareness of their products to the Mexican consumer, though again retailers are looking to avoid taking any risk associated with these ventures.

The Agricultural Trade Office (ATO) in Mexico City can also help US wine exporters by supplying them with market information, importer lists, and distributor data, as well as by endorsing US Pavilions at trade shows and by organizing various marketing events. ATO Mexico City, potentially in conjunction with ATO Monterrey, are planning a wine and spirit tasting event likely in the third week in March 2003. For more information on this event or general information, please contact the ATO Mexico City or Monterrey offices, Mexico City: Tel: (011)(52)(55) 5280-5291; Fax: 5281-6093; E-mail: atomexico@usda.gov; Monterrey: Tel: (011)(52)(818) 333-5289; Fax: (011)(52)(818)333-1248; E-mail: Jeanne.Bailey@usda.gov.

Another excellent means of increasing product exposure and making personal contact with wine importers and distributors is by attending trade shows and expositions in Mexico. The following trade events opportunities for US exporters to promote their wines in the Mexican market:

ANTAD 2003
When: March 14-16, 2003
Where: Expo Guadalajara, Guadalajara, Mexico
Contact: Carlos Zertuche, U.S. Agricultural Trade Office (ATO)-Mexico City
Tel: (011-52-55) 5280-5291; Fax: (011-52-55) 5281-6093; Email: atomexico@usda.gov
Show Type: Mexico's largest retail and supermarket show.

EXPHOTEL 2003
When: June 11-13, 2003
Where: Convention Center, Cancun, Mexico
Contact: Lourdes Guzman, U.S. Agricultural Trade Office (ATO)-Mexico City
Tel: (011-52-55) 5280-5291; Fax: (011-52-55) 5281-6093; Email: atomexico@usda.gov
Show Type: Mexico's largest hotel, restaurant and hospitality industry show for the Caribbean region.

ABASTUR 2003
When: October 1-3, 2003
Where: World Trade Center, Mexico City, Mexico
Contact: Lourdes Guzman, U.S. Agricultural Trade Office (ATO), Mexico City
Tel: (011-52-55) 5280-5291; Fax: (011-52-55) 5281-6093; Email: atomexico@usda.gov
Show Type: Mexico's largest hotel, restaurant and hospitality industry show for the Mexico City metropolitan area.

Competitor Programs

There are three foreign export-promotion agencies in Mexico: SOPEXA, from France, which is very active in promoting their national wines together with other food products; Prochile, from Chile, which is almost exclusively dedicated to wine marketing/promotion; and the Agricultural Trade Office-ATO, of the United States, which assists US producers of agricultural, fishery and forest products in the promotion and market development of their products.

SOPEXA, the French Government's marketing organization for food and agricultural products, has a highly refined marketing plan for promoting French wines in the Mexican market by conducting tastings in upscale restaurants and in-store promotions, and by participating in major Mexican food and beverage trade shows. Prochile dedicates most of its budget in Mexico to the promotion of their wines. They use bonuses and free samples to retailers and consumer tastings to promote their product. In addition, Spanish, Italian and Portuguese wines also enjoy regular in-store promotions in many of the major supermarket chains.

Mexico's wine producers are becoming more active in promoting their national wines in Mexico as well as abroad. They are using in-store promotions, media events and promotion of the culture of wine through concerts and festivals in the wine regions to promote their products.

Section IV: Contacts

Asociacion Nacional de Vitivinicultores, A.C. (National Association of Wine Growers)
Calzada de Tlalpan 3515
04650, Mexico, D.F.
Mexico
Tel: (011)(52)(55) 5666-1331, 5606-9724; Fax: 5606-9724
Mexican association of wine producers

Compania Destiladora Ibarra
Plaza San Lazaro 21
Col. Centro
15100 Mexico, D.F.
Tel: (011)(52)(55) 5522-2510; Fax: 5522-3203
e-mail: aberuga@destiladoraibarra.com
Contact: Antonio Berruga
Importer and distributor and wholesaler of wines and liquors

El Cellar
Zamora 30
Col. Olivar de los Padres
Mexico, D.F.
Tel: (011)(52)(55) 5681-7508; Fax: 5681-7758
Contact: Ignacio Puig
Importer and distributor and wholesaler of wines and liquors

Four Seasons Hotel
500 Paseo de la Reforma
Mexico D.F. 06600
Tel: (011)(52)(55) 5230-1818; Fax: 5230-1817
Contact: Jaime Jaramillo, Director of Food and Beverages

Hotel Marquis Reforma
465 Paseo de la Reforma
Col. Cuautemoc
Mexico D.F. 06500
Tel: (011)(52)(55): 5229-1200; Fax: 5229-1250
Contact: Phillippe Seguin, Director of Food and Beverages

Hotel Nikko Mexico
Campos Eliseos 204
Polanco
Mexico, D.F. 11560
Tel: (011)(52)(55) 5283-8770; 5283-8700; Fax: 5280-9202
Contact: Manuel Galan, Director of Food and Beverages

Hotel Presidente InterContinental
Victor Teran
Director Alimentos y Bebidas
Campos Eliseos 218
Polanco
Mexico, D.F.11560
Tel: (011)(52)(55) 5327-7700, ext. 3401/02; Fax: 5327-7767
Contact: Phillippe Seguin, Director of Food and Beverages

Jimpro
Santa Barbara no. 15
Col. Del Valle
Mexico, D.F.
Tel: (011)(52)(55) 5523-0005; Fax: 5523-0005 (same as tel.)
e-mail: marroyo@jimpro.com
Contact: Manuel Arroyo
Importer and distributor of wines and liquors (also has branch with electronics imports)

La Europea
Rodolfo Gaona 86
Col. Lomas de Sotelo
11200 Mexico, D.F.
Tel: (011)(52)(55) 5580-1089; Fax: 5395-9393
e-mail: fgomez@laeuropea.com.mx; internet: www.laeuropea.com.mx
Contact: Fernando Gomez
Importer and distributor of wines

La Puerta del Sol, S.A. de C.V.
Alhambra 506
Col. Portales
03300 Mexico, D.F.
Mexico
Tel: (011)(52)(55) 5532-3171; Fax: 5532-4344
e-mail:puertsol@prodigy.net.mx; internet: www.lapuertadelsol.com.mx
Contact: Avelino Soberon, General Director
Importer and distributor of wines, liquors and other food products

Palm Bay Importers
Angel Urraza 311
Mexico, D.F.
Mexico
Tel/Fax: (011)(525)(55) 5523-2134, 5523-2295
Contact: Eduardo Gomez, Commercial Director
Importer and distributor of Californian wines

Preci, S.A. de C.V./Cavas de Francia
Ingenieros Militares 38
53390, Mexico D.F.
Mexico
Tel: (011)(52)(55) 5395-0944; Fax: 5557-9235
e-mail:Pierre@cavasdefrancia.com; internet: www.cavasdefrancia.com
Contact: Pierre Jacquemin, Director Wines Department
Importer and distributor of wines

Productos de Uva, S.A. de C.V.
Antonio M. Rivera No. 25; Col. Industrial San Nicolas
54030 Tlalnepantla, Edo. Mex.
Mexico
Tel: (011)(525)(55) 5390-0506, 5390-0277; Fax: 5565-2526
Contact: Lic. Enrique Zertuche, Marketing Director
Importer and distributor of wines

Sheraton Maria Isabel
325 Paseo de la Reforma
Mexico, D.F. 06500
Tel: (011)(52)(55) 5242-5555, ext. 3510; Fax: 5533-2683
Contact: Margarita Romero, Director of Food and Beverages

Vinos y Licores de Naucalpan (La Divina)
Tenayuca 69
Col. Industrial San Nicolas
54030 Edo. De Mexico
Tel: (011)(52)(55) 5366-2500; Fax: 5390-0237
e-mail: jorge@ladivina.com.mx
Contact: Micaela Hernandez
Importer and distributor of wines

Vinoteca, S.A.
Av. San Francisco 95
53566, Naucalpan Edo. De Mexico
Mexico
Tel: (011)(52)(55) 5576-6900; Fax: 5359-1113
e-mail:emorales@mail.internet.com.mx
Contact: Eduardo Morales, General Director
Importer and distributor of wines